

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: APRIL 20, 2011

**RE: UPDATE TO PACIFICORP'S PURPA AVOIDED COST RATES TO
INCORPORATE NEW UTILITY COSTS OF CAPITAL**

Pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA) and the implementing regulations of the Federal Energy Regulatory Commission (FERC), the Commission approved a Surrogate Avoided Resource (SAR) methodology for calculation of the avoided cost rates paid to PURPA qualifying cogeneration and small power production facilities (QFs) by Idaho Power Company, Avista Corporation and PacifiCorp. Avoided cost rates are the purchase price paid to QFs for purchases of QF capacity and energy.

On February 28, 2011, the Commission issued Order No. 32196, the final Order in PacifiCorp's recent general rate case (Case No. PAC-E-10-07). An Order on Reconsideration was issued on April 18, 2011 (Order No. 32224). The conclusion of a general rate case for PacifiCorp has triggered computation of new PURPA avoided cost rates. The conclusion of a general rate case affects avoided cost rates because cost of capital figures established in a general rate case are used in avoided cost computations in accordance with the approved methodology. Past practice has been to incorporate new cost of capital figures immediately following a general rate case.

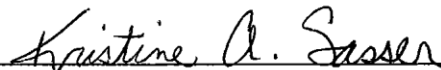
Staff has computed revised avoided cost rates for PacifiCorp using new cost of capital figures. The revised rates are shown on the attached tables. The effect of PacifiCorp's new cost of capital is a decrease in the avoided cost rates of approximately \$3.83/MWh for a 20-year levelized contract.

STAFF RECOMMENDATION

Staff recommends that PacifiCorp's published avoided cost rates be adjusted to incorporate new cost of capital figures as approved in Order No. 32196 issued in the Company's last general rate case. Staff recommends an effective date for the new rates of April 26, 2011.

COMMISSION DECISION

Does the Commission wish to incorporate in PacifiCorp's PURPA avoided cost rates the new cost of capital figures established in the Company's recent general rate case?



Kristine A. Sasser
Deputy Attorney General

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